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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JANUARY 9, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUE980813

Ex Parte: In the matter of
considering an electricity retail
access pilot program - Virginia
Electric and Power Company

ORDER PERMITTING IMPLEMENTATION OF INTERIM WIRES CHARGE

By Order entered in this docket dated April 28, 2000, the State Corporation Commission ("Commission") approved a pilot program for electric retail access for Virginia Electric and Power Company ("Virginia Power" or "Company"). Among the features of the pilot was a wires charge to be added to the bills of customers who leave Virginia Power service to take electricity supply from a competitor.

On November 17, 2000, the Company filed an application to revise its fuel factor, pursuant to § 56-249.6 of the Code of Virginia, from \$0.01339/kWh to \$0.01613/kWh, effective January 1, 2001.

In its application herein submitted December 1, 2000, the Company contends that "the requested increase in the Company's fuel factor, if approved, should result in a corresponding

adjustment to the capped generation rate applicable to the Pilot Program, and hence the wires charges calculation, effective January 1, 2001." (Application at 3.) The Company submitted revised rate schedules to reflect its proposed fuel factor and asked that we approve these changes to its pilot program rates.

By Order entered on December 8, 2000, in Case No. PUE000585, we permitted the Company to implement, on an interim basis, its proposed fuel factor. The fuel factor mechanism currently in effect for Virginia Power contains a correction factor that permits any over- or under-collection of fuel costs to be adjusted in later filings. This feature of the fuel factor greatly reduces, if not eliminates, the risk to customers of granting interim implementation of the Company's proposed fuel factor.

By contrast, the wires charge mechanism under which Virginia Power is, by statute, permitted to recover stranded costs, may not be adjusted "more frequently than annually" and there is no feature of the wires charge analogous to the correction factor in the fuel factor recovery mechanism. In other words, if we were to permit the implementation of the proposed changes to the wires charge, but subsequently find that the proposed changes to the fuel factor required adjustment, the correction factor of the fuel factor provides protection for

customers that the wires charge mechanism described in Code § 56-583 lacks.

Accordingly, we entered our Order of December 28, 2000, in this docket calling for comment or request for hearing on the Company's application. However, by letter of counsel dated January 4, 2001, Virginia Power represented that if permitted to implement its proposed adjustment to its pilot program wires charge effective January 1, 2001, it would not thereafter object to any further modifications to the pilot program wires charge that we might find necessary based on our final determination entered in Case No. PUE000585, the fuel factor application. Virginia Power acknowledged that the wires charge adjustment mechanism set out in Code § 56-583, which prohibits adjustment to the wires charge more than once per year, does not apply in the context of this pilot program, but will become operative on and after January 1, 2002.

NOW THE COMMISSION, having considered the application, and the subsequent representations of the Company, is of the opinion and finds that Virginia Power should be permitted to implement, on an interim basis and subject to further modification, its proposed changes to the wires charge applicable to its pilot retail access program implemented by earlier order herein. In permitting the interim implementation of the proposed wires charge, we make no finding as to the merits of the Company's

application and continue to solicit comment from interested parties on this application. We conclude, along with the Company, that under the current law Code § 56-583 does not limit the frequency with which we may make adjustments to the wires charges during the pilot program. Upon the conclusion of this case, or Case No. PUE000585, we may order adjustments to the wires charge to correspond with our ultimate findings in either case, or both cases.

Accordingly, IT IS ORDERED THAT:

(1) Virginia Power may implement the changes to the wires charge proposed in its application of December 1, 2000, herein, on an interim basis subject to further modification we find necessary.

(2) The provisions of our Order of December 28, 2000, remain fully in effect.

(3) This matter is continued for further orders of the Commission.